

**Personnel Task Team
Efficiency Task Team Report
of the
General Government Subcommittee
of the
Government Efficiency Commission**



November 8, 2004

I. SUBCOMMITTEE ON GENERAL GOVERNMENT DIRECTIVE

The Personnel Task Team was established by Subcommittee on General Government of the Government Efficiency Commission and was charged with the responsibility to report its findings to the Subcommittee by September 2004.

The members of the Personnel Task Team are human resource professionals with a broad range of experience in the private and not-for-profit sectors. A few members of the Task Team also have experience in State Government. The Team represents a balance of Democrats, Republicans and Independents and is co-chaired by members of the two major political parties. A list of the Team members is included as Appendix A.

Among its first items of business, the Personnel Task Team adopted the following mission statement:

The mission of the State Personnel Task Team is to review the personnel system within state agencies and to make recommendations to improve efficiency and reduce waste or other unnecessary costs.

II. INTRODUCTION AND REASONS FOR STUDY

The State Personnel Department and office of the State Personnel Director are created and given broad authority over Executive branch agencies by IC 4-15-1.8.

The merit personnel system within state government is governed by the State Personnel Act (IC 4-15-2).

Like other employers, State Government is also subject to a wide variety of additional State and Federal employment laws.

Still other elements of the State's personnel system are governed by Executive Order.

The State Personnel Director and the State Personnel Department are responsible for providing leadership and oversight to the personnel functions throughout State government. While there are approximately 65 staff in the State Personnel Department, many

more human resource¹ professionals and staff are also found in State agencies and institutions. **Agency human resource staff report to the Appointing Authorities within their agencies and are not directly accountable to the State Personnel Director.** Nonetheless, under the State Personnel Act, the Director² has authority over a broad range of pay and policy issues which apply to most of State Government. It should be noted that to the extent that many of the matters addressed by the State Personnel Department involve financial commitments or decisions, many of the transactions which are reviewed by the Department are also subject to review by the State Budget Director as well.

This report focuses on the methods and programs by which the State manages its workforce and recruits and selects its employees. While savings in these areas are often difficult to quantify, improvements in the recruitment, selection and management of employees most often result in cost savings and/or greater productivity. **Improvements in employee productivity can be achieved through better performance management and employee education. Compensation, benefits, continuing education and career development initiatives all impact turnover rates as well as the ability of the State to attract high potential candidates.**

Efficiency in human resources as in any field is also measured by analyzing work flows and processing times. Because human resources responsibilities are shared between the hiring agency, the State Personnel Department, the Budget Agency (for actions with fiscal impact) and the Auditor of State (for payroll processing), the workflows are extensive and often intricate. Due to time constraints, the Task Team did not conduct a systematic examination of these processes. **The Personnel Task Team notes that the State Personnel Department has already begun some process-mapping and process time measurement and the Team encourages continual multi-agency reviews of the processes and workflows both to improve understanding of the processes among stakeholders as well as to identify opportunities for improvement, taking into account environmental and technological changes.**

The Task Team notes that the State has entered into collective bargaining relationships under Executive Orders 90-6, 97-8 and 03-35. The agreements entered into between the State and employee organizations may cover some of the areas addressed in this report. The Task Team has not studied the relationship between the State and unions, nor has the Task Team made any assessments as to the applicability of these recommendations to bargaining unit members.

III. SUMMARY OF WORK PROGRAM

The Committee held its first meeting on January 27, 2004. Many of its initial meetings were dedicated to presentations by State Personnel Department staff to brief the Task Team on the structure of State Government, the relationships between the State Personnel Department and State agencies, the unique elements of the legal mandates within which it operates and the

¹ The terms, "Personnel" and "Human Resources" are used interchangeably throughout this report. While it is the predominant practice in the private and not-for-profit sectors to refer to this function as "Human Resources", the State Personnel Act still uses the term, "Personnel".

² Except where stated otherwise, the terms, "Director" and "Department" refer to the State Personnel Director and the State Personnel Department respectively.

details of the responsibilities and work products of each of the divisions within the State Personnel Department.

The Task Team divided its work into the following personnel disciplines:

- Employment, including recruitment, retention, staffing, turnover, succession and workforce planning
- Compensation
- Performance management
- Health Care and Benefits
- Training and Development

Additionally, the Task Team examined some of the statutory requirements that are unique to State Government.

To enable the Task Team to study all of the above areas within a short timeframe, Task Team members participated in focus teams for each of these subject areas and reported their findings back to the Task Team.

IV. SUMMARY OF TESTIMONY

The Committee heard testimony from State Personnel Department staff as well as human resources professionals from various State agencies. The focus teams also met with State Personnel and agency human resources staff to hear different perspectives on the programs, processes, and policies which make up the State personnel system. A more comprehensive review of the State personnel system would have also included information gathered from State employees. While focus groups and surveys of the employee population weren't practical or feasible within the scope of the Task Team's work, we believe that the information gleaned from agency human resource representatives at least partially includes information reflecting the concerns of the employee population at large.

Throughout the focus teams and Task Team's discussions, three major issues continued to come to the forefront. These are:

the technological tools used by the State,
leadership development and

the compensation programs for new hires as well as existing employees.

The Task Team heard from agency and State Personnel representatives about the difficulties encountered during the transition to a new human resource information system. ***The system has tremendous potential, but much work still needs to be done to achieve full statewide use and to abandon duplicate systems. As a function that transfers paper for review among several agencies, human resources is a fertile ground for paperless systems.***

The State's pay plan is based on internal equity and is generally situated well below market rates. While in recent years, the State has given employees across-the-board pay increases, ***the Task Team heard strong interest among agency management to link pay to***

performance and to be able to hire more often at above minimum rates to attract top talent.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The State Personnel Act and Other Employment Statutes

The State Personnel Act of 1941 contained model language imposed as part of President Roosevelt's "New Deal". The process was unique to government and required the testing of applicants and certification of lists of candidates eligible for employment. It became law in Indiana without the Governor's signature.

The State Personnel Act distinguishes between "merit" and "non-merit" agencies. These terms refer to the selection processes and due process rights of employees within those agencies.

The distinctions between merit and non-merit agencies, created by the State Personnel Act in 1941, have been blurred over the years by court decisions and policy changes.

The merit system would be perhaps more widely recognized outside of Indiana as a traditional civil service system. The law provided that jobs within merit agencies would be filled by competitive exam, to be administered by the State Personnel Department which would then provide merit agencies with a list of the top candidates from whom a selection could be made. This testing process reflected a utopian ideal which has never been fully realized in Indiana, is not mandated in the private sector and is made even more unworkable in today's employment environment. ***The merit employment procedures would likely operate effectively in a setting where jobs are uniform and rarely change; where time is not a critical factor in filling vacancies, and where highly qualified individuals lack other desirable job opportunities, none of which is the case in Indiana today nor, we suspect, has it ever been.***

As early as 1979 the State Personnel Director recognized that the structure of the merit employment system was unwieldy and unresponsive to the day to day staffing needs of agencies and began decentralizing selection of unskilled labor. Decentralization of merit testing began in 1988 when Westville Correctional Facility was delegated the authority to directly accept applications and screen candidates for Correctional Officer vacancies. This was the beginning of a trend of decentralization in the merit employment process which continues today and now is applied in the five largest merit agencies (Family and Social Services Administration, Department of Correction, Department of Workforce Development, Department of Health and Department of Environmental Management). While not a perfect solution to the bureaucratic requirements of the State Personnel Act, decentralization has allowed agency human resource staff to be more responsive to their agencies' staffing needs, although by accepting this responsibility, those agencies have also assumed the burden of some of the Act's administrative requirements.

Ultimately, the preservation of the bureaucratic pre-employment process causes unnecessary delays, creates non-value-added work and increases the learning curve for new human resource staff as the State Personnel Department must spend time and resources teaching these new staff about the technical requirements of an antiquated law.

The Federal mandates were relaxed when the federal Merit System Standards were revised under President Reagan's "federalism" initiative; Indiana's laws however, remained unchanged.

While the bureaucratic eligible list process is no longer required by the Federal government, amendments to the State law have been proposed but never adopted. The State Personnel Department has previously recommended that the Indiana General Assembly repeal archaic civil service testing & list certification procedures and replace them with a restatement of the current federal standards for a merit system of personnel administration (5 CFR 900.603, Appendix B). The Federal standards protect against political abuses and other inappropriate application of State resources without requiring an unwieldy and unnecessary bureaucracy.

The Task Team concurs with the State Personnel Department's recommendations and urges the General Assembly to strip the pre-employment processes from the State Personnel Act and replace them with the Federal Standards for a Merit System of Personnel Administration.

The Task Team also urges repeal of the following statutes which are no longer in force. The preservation of these outdated statutes is unnecessary and causes confusion for those who work with the personnel system:

I.C. 4-15-1 State Personnel Advisory Board

The State Personnel Board became an advisory board in 1982 and did little after it was stripped of its authority. Before the end of Governor Orr's term, the Board stopped meeting. No appointments have been made to be Board since it stopped meeting.

I.C. 4-15-2-1.5-8

Relationship of State Employees Appeals Commission to the State Personnel Board

This provision is unnecessary because the Board no longer exists.

I.C. 4-15-2.5 Career Bipartisan Personnel System

Contains unconstitutional provisions relating to political hiring and firing. All agencies opted out of this law at the instruction of Governor Bowen, in January 1973.

I.C. 4-15-3 Merit System for Registered Professional Engineers

Required each agency that employed engineers to promulgate rules establishing a merit system of personnel administration by August 7, 1941. None did then and no such rules exist today.

Competency-Based Human Resource Systems

Where once Personnel systems focused on education and experience as indicators of an employee's success on the job, Human Resource professionals today now look toward "competencies". Competencies are observable, measurable patterns of knowledge, skills, abilities, behaviors, and other characteristics that employees need to successfully perform work-related tasks that aid in integrating human resource management functions by providing a common foundation for developing products and services for human resource management. Competencies may be technical or behavioral. An employer would expect an employee to come to a job with certain existing competencies while others, like specific organizational knowledge or proficiencies, may be learned on-the-job.

By identifying the specific competencies required for each occupation, an employer can use that body of knowledge to improve employee selection techniques, conduct more meaningful and objective performance reviews, identify employee training and development needs, develop a

broader range of employee career paths and opportunities and simultaneously, better identify internal candidates for promotion. A competency-based approach serves as the foundation for integrating Human Resource functions (e.g., classification, recruitment, selection, training, transferring, promoting). Using a common language and standards between these functions helps to insure that they are properly aligned and sends a consistent message to employees about the competencies on which they will be recruited, selected, appraised, trained and compensated.

In 1999, the Federal Office of Personnel Management announced its initiative to identify core competencies for commonly-used occupations and offered state governments the opportunity to participate in this initiative in its earliest stages. Indiana was quickly identified as a pilot program for this project, the result of which is that the State Personnel Department has access to a low cost technology tool called "HR Manager" which provides information and job analysis that would otherwise take years to develop at a significant cost. Having first created a "crosswalk" between the State's classification system and the Federal Standard Occupational Classification System, Indiana jobs can be easily matched to those analyzed by the Federal Government.

HR Manager includes a variety of practical features and modules that facilitate the integration of competencies into a wide range of human resource functions. The tasks (activities performed in an occupation) describe general work activities and provide a common language across occupations to facilitate comparisons of multiple occupations within a group. Modules for job design, recruitment and selection, performance management, and career management are based on the critical competencies and tasks.

The Job Design module provides occupational profiles, which list the critical tasks and competencies for a given occupation and serve as the foundation of all human resource functions. The Job Design module offers the option of viewing an existing occupational profile, or building a new position. The occupational profile then provides the foundation for developing a position description.

The Recruitment and Selection module identifies the competencies required for successful appointment to a position. This module also provides competency-based benchmarks and related supplemental questions to assist in recruitment and selection processes as well as for vacancy announcements. Behavioral indicators are associated with each competency that provide descriptions and examples of proficiency by level (1-5). The benchmarks can be used to assess the degree to which a person has mastered a competency.

The Performance Management module assists in developing performance plans and standards by identifying the competencies required for successful performance and providing competency-based benchmarks that can be used to evaluate an employee's proficiency level for a critical competency.

The Career Management module offers four career development and training options including career ladders and paths, career lattice options, training needs, and occupational interests. The career ladder provides managers and their employees with a "career progression map." Managers and employees can use this tool to determine the competencies needed to progress within their occupation. The career lattice can be used to identify the occupations that

employees can most easily be transitioned into based on similarities in tasks performed. This tool can be used to help employees with career planning and development, and can provide useful information for downsizing or restructuring. This module also provides information managers can use to target training resources for occupations or occupational groups based on common critical competencies.

Finally, competencies can be used for career development or downsizing/restructuring situations. Employees can select the tasks they enjoy performing, and using the Career Management module, they can identify the types of occupations that would be a “best fit” for their skills and interests.

It is acknowledged that HR Manager does not include competency data for all occupations and the State Personnel Department intends to develop competency data for those occupations not covered by the Federal Government’s research. ***The Personnel Task Team believes the State has a remarkable advantage and opportunity in participating in this initiative and recommends that the State continue its participation and explore joint initiatives with other States to develop and validate competencies for the remaining classifications.***

Workforce Planning

Turnover within Indiana State Government is approximately 17% per year, which, while better than the national average for state governments of approximately 20%, creates a major drain of State resources and has a tremendous impact on organizational productivity and human resource expenditures. Recruiting expenses, training costs, overtime, administrative processing costs, contractor and temporary agency fees, higher error rates, as well as lower productivity due to employee vacancies and the learning curve of new hires all impact State Government financially and compromise its ability to provide prompt and efficient service to the citizens of Indiana.

The cost of turnover is a significant yet unknown quantity in State government. The State is encouraged to develop costing models to estimate turnover costs. Once identified, lower turnover savings can be used as a variable to offset the cost of market-based salary adjustments and other measures designed to stabilize the workforce.

It is important to recognize that some level of turnover is desirable. An organization with no turnover may have a stagnant workforce and is likely not adequately addressing substandard performance. Without some turnover, an organization lacks the diversity of ideas, training and experiences that new employees bring into the workplace. It is likely that the desirable or target turnover rates in State government may vary by occupation...taking into account training costs, the nature of the knowledge and experience that employees bring to their jobs, and the availability of career opportunities within a given field. Even so, comparisons of turnover rates between state agencies and occupations and to overall rates in our economy can be helpful to identify areas of high turnover that merit further study and analysis.

The Personnel Task Team noted that as of May 31, 2004, 22.7% of the existing workforce is currently eligible for retirement or early retirement. During the focus group sessions held on March 15, 2004 the concern was voiced several times by participants that a process for capturing and transferring the knowledge from those that are retiring to less experienced workers is a critical need.

The Task Team recommends that mentor programs be developed to promote the transfer of knowledge from long service employees to shorter service employees. Initial attention should be given to those areas with a particularly large population eligible for retirement and with those individuals that are deemed to hold "critical knowledge transfer" positions. This process is a very low cost effort, but does require a time commitment on the part of those that participate. While State Personnel leadership and expertise may be helpful to agencies in starting a mentor program, this is a perfect example of an area where agency human resources staff can use their own creativity, expertise, and knowledge of their agency culture and structure to develop their own program models. Even so, the State Personnel Department can support their efforts by creating a "phase-out" program which would allow retirees to work a reduced schedule toward the end of their tenure to facilitate an orderly and successful transfer of knowledge to those who will be assuming the retiree's former duties and responsibilities.

Because workforce planning must begin with senior management, workforce planning in State Government is greatly compromised by the four-year election cycle. Symptomatic of this problem is a severe lack of succession planning at all levels, inconsistent use of existing performance management tools, and the lack of a systematic approach to identifying high potential candidates within the existing workforce. ***The Task Team believes adoption of the proposals which appear later in this report regarding pay for performance, performance management, and comprehensive executive education would make significant inroads to expand workforce planning within State Government.*** Nonetheless, workforce planning in State government cannot and should not mirror that of the private sector as it would be naïve to ignore the four-year election cycle as a real factor in any workforce or succession plans, particularly at executive levels.

Technology

The recent purchase of PeopleSoft® technology provides employment process functionality which will, if properly utilized, integrate into a comprehensive human resource information management solution. It is unfortunate this technology has not been uniformly accepted and some of the old systems remain in use resulting in dual entry of employment data. The potential for this technology is tremendous if it is universally accepted and if its users are fully trained.

The Task Team believes that if the PeopleSoft® system were fully exploited and redundant systems³ eliminated, the improvements in data management would be sizeable. ***Staff time spent learning and maintaining redundant systems, entering data multiple times, and synchronizing data between systems could be eliminated or redirected to value-added work.*** The State has already realized significant improvements in the quantity and quality of workforce information that the PeopleSoft® system provides. Ultimately, this system has the potential to improve access to information to an even greater extent, giving decision-makers meaningful information without cumbersome time delays.

³Perhaps the most glaring example of a redundancy is that the State's payroll is still processed on an entirely separate system, requiring that much of the same data entry be done on both systems. While the Task Team encourages full integration of these systems, it is our understanding that the Information Technology Task Team is examining this issue in detail and we defer to their expertise in analyzing the scope and possible resolution of the problem.

As oversight responsibility for the Human Resource functions within State government cross several agencies and even divisions within agencies, the processes by which personnel actions are effected can include numerous steps and approvals. Initial actions have also been taken to create process flow analysis and quantitative measurements for improving the overall employment process. Creation of process maps and related HR metrics are best defined as being in the early stages of development. ***Even from a brief review of these processes, the Task Team recognizes that there is great opportunity to reduce cycle times and paperwork through adoption of paperless technologies. Use of an on-line applicant tracking system with electronic employment applications that could be distributed to multiple agencies simultaneously alone could result in a significant decrease in hiring delays.***

Much of the workforce demographic information has only recently become available on a statewide basis with the implementation of the PeopleSoft program. Even so, much work still needs to be done in identifying and measuring the costs associated with turnover and other key human resource metrics.

A recurring complaint was the problems for state agencies and the State Personnel Department that occurred with the State's first electronic open enrollment. Solutions have been identified by the GMIS Architecture Team and should be identified as a high priority for implementation. The GMIS Architecture Review Committee has identified the following needs and cost estimates to correct these problems:

- Web Server Improvements, \$6,500 for hardware and annual cost of \$5,604
- Application Server Improvements, \$119, 499 for hardware and annual cost of \$44, 148
- Duplicate Web Servers, annual cost of \$11,244

Recruiting

The Employment Division of the State Personnel Department plays both a strategic and administrative role in identifying job candidates. Its strategic role in developing and implementing statewide processes and programs is evolving away from the purely administrative function. There is a high degree of recruiting expertise among current State Personnel Department staff members and agency employed human resources professionals. All individuals interviewed show strong understanding of and commitment to the implementation of best recruiting practices.

The State Personnel Department's Employment Division has initiated steps to transition its contributions to a consulting role with agencies. This includes monitoring, training and consultation with hiring authorities on effective hiring strategies, applicant evaluation techniques and quality assurance reviews to ensure compliance with statewide policies and procedures.

The Department's role in assisting agencies in recruiting candidates has been continually redefined in response to changes in recruiting methods and technologies used by employers in Indiana and also in response to fluctuating needs and resources available to address them. Recruiting practices within State government have varied widely by agency. Some, like the Department of Corrections, have an in-house recruiting staff while others are far more limited in their focus on recruiting and the resources they have to commit to it.

Initial steps have been taken toward the creation of an employment branding campaign for State Government which will be accessible to all state agencies, has the potential to maximize the impact of total statewide candidate sourcing expenditures, and highlight the merits of state employment to the full spectrum of qualified candidates. It should be noted that this is not the first time that the State has attempted a centralized recruitment campaign; as with any advertising strategy, recruiting campaigns must be continuously reinvented in response to market changes. Even so, this initiative is unique in that it utilizes a “branding” strategy to promote the State as an employer of choice and to extend the benefits of the State’s recruitment efforts to even the smallest agencies.

Compensation

For many years the State has had an internal equity-focused compensation system with recruitment differentials added to address market demands. Pay ranges were divided into steps with step advancement based on annual performance reviews. As funding for the State’s pay plan failed to keep up with market changes, health care costs and inflation, the step pay plan disintegrated and ultimately the State moved away from its merit pay program to across-the-board pay increases to soften the economic impact of economic downturns on its employees and their families as well as to allow the State to incrementally increase the salary ranges in its pay plan. Nonetheless, base salaries today average 23% below market across all job categories and an increasing number of recruitment differentials have been created to address the gaps in specific occupations.

While the State’s salaries are below market, many of its benefits are not. At this time, the “true gap” between the value of the State’s total compensation (salary + benefits) package and the market is not known. The State Personnel Department has launched a study to quantify the market value of its total compensation program. The results of this study will help the Department to plot its future course in salary and benefits planning and identify specific strengths for the State’s recruitment campaign. Ultimately, the Task Team believes that the State could benefit from an emphasis on total compensation in its recruiting efforts as well as in its communications with employees.

Placing individual jobs into classifications is a process which helps human resource professionals to manage pay equity among large numbers of employees. Employees within a single classification all have similar duties and are compensated within the same pay range. Because of the breadth of State operations, the State has approximately 1100 separate job classifications, a number which is large by private sector standards, but about average for state governments.

While the State has not done an overall restructuring of job classifications since 1976, it has incrementally reviewed and restructured similar groups of occupations such as the 2004 review and restructuring of information technology-related occupations. The Task Team believes that the State’s approach to incremental revisions in the classification system is cost-effective and practical, allowing it to focus its attention on occupations that are evolving in the external market. In the short term, the State Personnel Department is encouraged to continue this approach and the Task Team suggests that additional occupational groups be examined such as nursing. For hard to recruit occupations, it may also be advisable to increase the State’s recruitment differential target from 90% to 95% of market depending on the outcome of its valuation of the benefit program. Leaders in other agencies are often unaware of the methods

and sources used by the State Personnel Department to identify market rates in establishing recruitment differentials. The Task Team believes that a market pricing policy or other communication of the standards used by the Department in establishing recruitment differentials could be helpful to avoid unnecessary work and facilitate greater understanding between the State Personnel Department and its customers.

When new employees are hired into State Government, they are automatically paid at the minimum of their pay range. Exceptions are made based on recruitment differentials or with the approval of the State Personnel Director. Approval for above-minimum hires is restricted to situations where an agency can show difficulty in finding suitable candidates for the position or exceptional qualifications consistent with the stated needs of the agency during the vacancy posting process. The Task Team recognizes that the State's tight control over above-minimum hiring is based both on a desire to maximize value for the taxpayers of Indiana as well as to insure consistency in pay practices across State Government. Allowing managers unfettered discretion in above-minimum hiring could result in costly litigation based on equal pay claims. Nonetheless, the Task Team believes that this policy direction may have the unintended consequence of discouraging hiring of more experienced and skilled candidates, instead hiring the most qualified and experienced candidate who will take the job at the lowest pay rate and fostering a perception of State employment as a training ground and not a long-term career destination for skilled professionals. The State Personnel Department is encouraged to expand above-minimum hiring practices to create standards to compensate candidates within a pay range based on their knowledge, skills and experience, while maintaining pay equity with current employees.

The Personnel Task Team urges the adoption of a merit or competency-based pay for performance system where practicable with increases given for achievement of performance goals and/or the development of new levels of proficiency in job-related competencies. The Task Team also encourages consideration of moving from the current internal equity-focused system to the Federal Standard Occupational Classification System with a market-based compensation program. However, the transition to pay for performance cannot and should not be immediate. To function properly, the pay plan must be supported by the following:

- Adequate funding of the State's compensation package at market levels
- Full utilization of the State's performance management system with compulsory management training
- Market-based comparisons and valuations of the State's benefits programs.

The transition to a market-based compensation program will require thought, work, and planning. Market price point targets will need to be established and may differ by job family. Priorities will have to be set to determine how available funds are allocated to bring jobs to market levels. "Benchmark" jobs will need to be identified and evaluated against the market annually.

A pay for performance system should not only reward employees through annual raises. Bonus or incentive pay should be available as one-time rewards for significant project and efficiency driven achievements. The Task Team believes the State would be well served by reinforcing a culture of continuous improvement by building it into the performance management and compensation systems and utilizing spot bonuses to motivate and reward employees who

engage in continuous improvement accomplishments. Giving bonuses to employees for creating quantifiable efficiencies could generate significant improvement in State operations and is worth the investment. It is further noted that implementation of a pay for performance system without the possibility of one-time bonuses may be more expensive in that when an employee's achievement is rewarded by an increase in their base rate of pay it creates an ongoing cost to the State for what may be a one-time contribution.

While the current suggestion program allows employees to receive financial rewards for identifying cost savings, the program is underutilized. The Task Team recognizes that there may be conflicts between a bonus system and the suggestion program and recommends that the relationship between the two be fully examined before a bonus system is implemented.

Management of the State's compensation system requires work. Each day, human resource staff in State agencies, the State Personnel Department, and the Budget Agency are engaged in processing requests to reclassify jobs, hire candidates at an above-minimum rate, create recruitment differentials and otherwise make adjustments to meet an agency's operational needs while preserving pay equity. The Task Team has observed that agency staff often fail to appreciate the importance of the State Personnel Department's oversight responsibilities in these areas nor do they fully understand the process and standards by which it exercises that authority. ***While State agencies may perform entirely separate functions, State government is viewed by the courts and by Federal regulatory agencies as a single employer. The potential liability for equal pay claims and violations of the Fair Labor Standards Act that could be incurred if the State Personnel Department abdicated that oversight responsibility is enormous and incalculable.***

The Task Team believes that the State Personnel Department should continue its efforts to educate agencies on the reasons for its oversight as well as the processes, standards and priorities it uses to process these requests. The Task Team encourages a systemic multi-agency examination of the processes to identify opportunities to expedite processing through elimination of unnecessary steps, delegation of authority and consolidation or simplification of forms such as the lengthy job analysis questionnaire. Use of technology to allow electronic submission of requests or submission by e-mail would eliminate some processing time. Work has begun on a joint tracking system which tracks a request's progress through the State Personnel Department and Budget Agency using a single ID number and enables agency staff to easily check its progress. From a unified tracking system, metrics can be developed to measure turnaround time and identify items that are often delayed due to incomplete information; the data gleaned could be used to identify agencies which require additional support and training to better process their requests as well as areas which merit additional attention to try to find ways to reduce processing times.

Benefits

As has been previously mentioned, the perception is widely held that the richness of benefits offered by the State at least partially offsets lower than market compensation rates. The benefits of State employment far exceed just insurance and retirement programs. State employees work a standard 37.5 hour workweek, enjoy approximately 12 paid holidays each year, receive vacation, sick and personal leave in addition to the intangible benefit of the satisfaction derived from working in public service as well as a generally stable employment outlook. The effort to attach a market value to these benefits is an important step and its results should provide material not only to help direct the future of State benefit design and total

compensation, but also to communicate to employees the value of their benefits.

The State has experienced the same inflationary pressures in health care benefits that have plagued the private sector. In benefit programs, large employers can have significant market clout and the State has used its strong market position to negotiate with providers to obtain the best possible rates and benefit value for its employees. The State continually analyzes market trends and adjusts plan designs to encourage its employees to make cost-effective decisions in using health care services. For example, last year the State introduced an alternative health care plan design that avoided premium increases by providing greater cost participation if services are accessed. It is projected that there will be no increase in premium cost for the alternative plan design again in 2005.

In studying the State's benefit plans, the Task Team examined several options, some of which were eliminated from consideration after additional review. Among those rejected were adding additional tiers to the plan design and adding a spousal carve-out. The State's underwriters have previously examined the possibility of adding additional tiers to the plan design and have found that it would merely encourage shifts in the cost allocations while adding additional administrative burdens without any real cost savings. The Task Team examined the possibility of requiring that if an employee's spouse is eligible for coverage elsewhere s/he would be required to secure that coverage as a primary insurer. Concerns about a spousal carve-out stem from the potential for disparate treatment of employees especially if affected employees are not granted a premium reduction.

Wellness benefits, such as preventative treatment and testing, mammograms, PSA testing, and annual physicals and gynecological exams are all covered under the State's plan design. However, there is no organizational incentive for employees to get annual checkups and participate in cost-effective preventative care measures. The Task Team recommends creating an incentive or cost reduction for employees who have an annual physical. It is hard to estimate the impact of preventative medicine on long-term claim expense, but organizations that have emphasized the importance of healthy lifestyles and preventative care have seen declines in claim expense by as much as 20%.

Prescriptions are a major element in health care inflation for all employers and health care consumers. While the State has added mail order programs and other measures to control costs, there are additional cost containment efforts that can help curb the increases. Currently, some employees pay the same cost for prescriptions whether they are filled by mail order or at a retail pharmacy, while the cost to the health plan for mail order prescriptions is significantly lower. In 2003, only 2.2% of all prescriptions covered by the self-insured plan were filled by mail order. If the State's prescription usage matches that of other employers, approximately 45-50% of all prescriptions are maintenance drugs which can be easily filled by mail order.

The Task Team also encourages the State to examine the possible use of a closed formulary with a requirement that a generic drug be used where available. The estimated savings based on one formulary model was \$986,789 in retail prescriptions and \$40,211 for mail order prescriptions for a total annual savings of \$1,027,000.

While dental benefits are a much smaller portion of the State's benefit costs than the health plan, it is still a program that incurs approximately \$14 million in claims each year. While the

program includes a preferred provider option, there are no financial incentives in place to encourage employees to select the preferred provider organization over the traditional dental program; approximately \$84,900 could be saved each year by creating financial incentives for employees to choose the Dental Provider Organization. Currently, the dental plan covers bridges but not implants although implants have become more common and create less damage to surrounding teeth. The initial cost increase to add implants to the dental plan is approximately 0.3% or \$42,000. Since implants are better for long-term dental health, it is expected that the additional costs can be recouped by a reduction in the need for more follow-up care. ■

It is important to note that no reasonable cost saving measures implemented by any employer are going to reduce the real cost of health care benefits. Rather, all of the measures proposed by the Task Team and the cost savings attached to them will merely soften the financial impact of the State's health care cost increases.

The State recently made cost-saving revisions to the short-term disability policy. Since January 2001, the State has incurred approximately \$600,000 in disability benefits for employees with less than six months of service prior to manifestation of the disability. The new policy requires at least six months of service prior to an employee's eligibility for disability benefits. This policy change is consistent with the practices of private sector employers.

It is also recommended that the State revise its Family and Medical Leave policy to require that employees have 6 months of continuous employment prior to eligibility for family and medical leave. If the disability policy is changed and the family and medical leave policy is not, an employee could use unpaid family and medical leave to exhaust the disability waiting period thereby at least partially circumventing the intent of the disability policy revisions.

The Task Team recommends that General Assembly review insurance mandates it has imposed to assess whether the outcomes were intended. For example, only 32 retirees are enrolled in the State's Medicare complementary health plans. Given such low participation and the number of competitive plans available through AARP and insurance companies, perhaps the State should not be required to be in the business of sponsoring Medicare complementary health plans.

Employee Training and Development

The Personnel Task Team reviewed the current operations of the State Personnel Department in the area of training and development. Currently, one full time State Personnel Department employee is assigned to this area with no direct annual operating budget. In addition, two agencies and the State Personnel Department supply eight subject matter experts to facilitate the courses offered through the State Personnel Department. Fees assessed to attendees to cover course materials and expenses totaled \$ 3,220 in 2003. In 2003, 27 courses were offered by the State Personnel Department and attended by 6,266 state employees. These 27 course offerings consisted of supervisory and management skills (6), technical training for HR professionals only (8), and various other technical courses including personnel rules and policies, Spanish for customer service representatives, records management, and pre-retirement planning (13). The decision to offer these 27 courses is based upon assessment by the State Personnel Department leaders that (1) supervisors and managers need to be more knowledgeable in a particular area of human resource management or behavioral training, (2)

HR professionals, primarily those individual contributors and supervisors new to the State of Indiana, need to be aware of and comply with state HR policy and procedure, and (3) training in PeopleSoft® should be offered to fully leverage the capability of the software statewide.

The State Personnel Department has experimented with statewide distance learning programs, although participation was limited due in part to agency budget restrictions. The State Personnel Department sponsors a study course twice a year for human resource professionals in the State Government who are preparing for the Human Resources Certification Institute exams.

Much of the State's training and educational efforts are managed outside of the State Personnel Department. Technical and job-specific training programs are conducted within state agencies to address the learning needs that are specific to particular jobs or agency operations and the Division of Information Technology has software and other technology training offerings.

In 1998 and 1999, the State Personnel Department sought the advice of outside consultants to help to determine the strategic direction of training in the State of Indiana. Review of this work by the Personnel Task Team revealed a thoughtful and comprehensive effort and the focus of the Personnel Task Team turned to re-energizing several of the key recommendations made previously by the consultants and examining overall progress towards the goals established as a result of the earlier study. In addition, the Personnel Task Team offers several other considerations that will add strategic impact to the efforts of the State Personnel Department in promoting leadership efficiency and effectiveness. In examining the training functions, the Task Team assessed the strategic role that the State Personnel Department could play in providing training and development programs and consulting services that are cost effective, competency-based and consistent across agency lines.

The State Training and Development Alliance

The State Training and Development Alliance is a cross-agency training council that began meeting in July 1995 with nine agencies in attendance. The group increased representation to 13 agencies by the end of 1999. The leadership responsibility of the Alliance rotated during these years between various agencies. The agenda focus from 1995 to mid-1999 was primarily topical, e.g. expanding sexual harassment or diversity awareness training. Later, the focus of the group shifted to framing a strategic response to the recommendations made by the external consultants and leveraging the new human resource information system.

Although supported by the State Personnel Department, the State Training and Development Alliance could not sustain a regular meeting schedule from 2000 to the present time due primarily to the focus on technical human resource training provided by the Labor Division and the elimination of the training manager role at the State Personnel Department in June 2002. The Personnel Task Team notes that the State Personnel Department Training Manager position was re-established in September of 2003 and supports this important staffing initiative wholeheartedly.

Continuing Education

Many organizations analyze their workforces to better understand the diversity of their

employees' educational backgrounds. This effort is important to begin the process of developing an educational plan that will address the needs of learners throughout the organization. The Personnel Task Team notes that the State of Indiana is fortunate to have already invested in a human resource technology which has the capability to track, and report this information. However, the transition to full use of this program is ongoing in that educational profile data currently exists for slightly more than one-third of the workforce. To maximize its usefulness, information needs to be added to this module for all State employees.

At the present time, the State of Indiana does not offer basic skills courses in reading, writing and math, GED equivalency training, or certificate (non-degree) programs, however educational profile data could be used to identify opportunities for competency-based continuing education. This strategy could consist of basic skills training for those interested in qualifying for high school equivalency, availability of GED materials and tutors on-site, certificate (non-degree) programs that offer continuing education credits through local community colleges, and specific leadership development offerings that are directly linked to behavioral competencies. The Personnel Task Team notes that business-sector programs along these lines have been effective in reaching employees of various educational backgrounds and encouraging them to remain engaged in the personal development process, particularly when linked directly to competencies specifically identified in their performance or career planning.

Analysis of the existing educational profiles reveal that 98% of the State's workforce has at least a high school diploma or equivalent, over 26% have earned a bachelor's degree or two year degree, and 7% have engaged in or been awarded masters or doctorate degrees. This suggests that there is a sizable audience that could benefit from certificate programs (non-degree) or other college preparatory coursework in support of learning beyond high school. For those already at the college level, a strategic response could consist of a targeted campaign to boost the number returning to finish college via a tuition reimbursement program. Additionally, on-going leadership development programs or on-site masters programs could be helpful in meeting the continuing education needs of motivated learners.

Analysis of the same data by agency indicates that a large number of high school graduates work in the Department of Corrections, Family and Social Services Administration (FSSA), and the Department of Transportation. These three agencies represent a reasonable place to start in the developing non-degree certificate programs or college preparatory coursework. The data also suggests that FSSA has a large number of employees that have earned their college degree. These motivated learners could serve as a target audience for leadership development programs or access to on-site masters programs. The Personnel Task Team notes that further review, refinement and discussion of this data will help training managers clarify the greatest learning needs across all state agencies.

Executive Education

Executive education in Indiana State Government has been launched cyclically. In 1984, Governor Orr's administration launched the Governor's Executive Development Institute (GEDI), followed by the Bayh administration's Governor's Executive Management School (GEMS), conducted from 1993 to 1996 and most recently the Duke Strategic Leadership for State Executives Seminar was offered by the O'Bannon administration in 1998. Indiana's model has been to develop a curriculum using executive trainers from outside State Government to

conduct sessions just for State executives. This model has enabled the State to offer a tailored curriculum to its executives at a fraction of the cost of sending them to programs elsewhere.

The purpose of these executive education programs is to assist agency executives with leadership strategies and management practices that will enable them to achieve their organization's improvement initiatives. Other benefits reaped from executive education programs include building teamwork and cooperative relationships between leaders of different agencies, encouraging joint visioning and problem-solving and providing executives with a common knowledge base, focusing particularly on those areas which are unique to their roles as State leaders.

This type of educational experience fosters communication and awareness between senior leaders, and provides a forum for dialogue on strategic issues. The Personnel Task Team notes that many programs of this type in the business sector can involve solving real-world challenges resulting in significant cost savings, productivity enhancements or next generation thinking. The cost of these programs varies widely depending upon the length, number of participants and the degree to which external facilitators are utilized.

Throughout the entire evaluation process conducted by the Personnel Task Team, numerous examples were noted concerning duplicity of systems, antiquated code, underutilization of new technology and "silo" thinking versus boundary less problem solving. The leadership challenge demands that senior leaders share a sense of purpose and vision that is compelling and energizing, and be able to communicate this view of the future to all state employees. Management and executive education are powerful tools that can be applied to help break down boundaries between people and organizations and begin the process of collaborative problem solving. Perhaps the greatest impact these courses can have is an increased level of awareness and understanding concerning the need for a sense of community.

For the very reason that executive tenure is highly subject to the four-year election cycle, so is executive education. Its offerings and focus ebbs and flows with the tide of administrations. The Task Team believes that a new model for a standing executive education program that provides continuity and promotes knowledge transfer would be a great benefit to the State. Incoming administrations would be able to educate senior executives at the beginning of the four-year cycle without the delay caused by the need to create a new executive development program from scratch.

In formulating a proposed model for Indiana's executive education program, the Task Team examined not only past efforts in Indiana, but studied some of the "lighthouse" programs in other States such as Tennessee and South Carolina. Those which provide the continuity of curriculum and knowledge transfer that we hope to achieve in Indiana are usually closely aligned with the state university system and are situated such that they are not subject to the availability of funds in any given agency.

Indiana is fortunate to have an outstanding resource in the School for Public and Environmental Affairs (SPEA) of Indiana University with faculty at both the Bloomington and IUPUI campuses. Housing the State's executive education program within SPEA would provide the continuity of curriculum, promote interaction between SPEA and State government, and would allow the program to evolve beyond the basics and promote collegial problem-solving. To truly be

successful this program must be funded either as a part of SPEA's budget or through a separate funding mechanism which makes the program available to senior executives without direct cost to their agency.

Tuition reimbursement

The availability of tuition reimbursement programs is often a major recruiting tool for professional and technical employees. It is one of the most powerful tools available for promoting personal ownership of the development process. Further, it supports the performance planning process between manager and employee by providing a mechanism for developing new skills and knowledge for continuous improvement and career planning. Accountability is placed at the individual employee level thereby eliminating the need for constant programmatic efforts by State Personnel Department and allowing employees to seek highly technical or specialized training.

Unfortunately, the availability of tuition reimbursement funds in Indiana State Government has varied widely by agency and has been subject to the individual agency's funding. The Personnel Task Team notes that in some states, government employees have been able to attend state universities on a "stand-by" basis – occupying unfilled class spaces at no cost or at a reduced cost and we encourage Indiana's state institutions to create similar opportunities for Indiana's state employees, which would provide a benefit to the taxpayers by creating a better educated state workforce, improve the State's recruiting position, and potentially bring more revenue to the universities without taking resources from existing students.

The Personnel Task Team recognizes that the State Personnel Department has recently proposed a \$5.4 million tuition reimbursement program for all state employees. To avoid confusion or policy conflicts, it is recommended that the statewide tuition reimbursement program fully replace existing agency tuition reimbursement programs and that to the extent that funds are available within an agency for tuition reimbursement, those funds should be either earmarked for tuition reimbursement applications approved by the statewide program, or designated for other training functions within the agency.

Collaboration with Other States

The State Personnel Department has maintained an ongoing dialog with other state governments through its participation in the National Association of State Personnel Executives (NASPE), the National Association of State Directors of Employee Relations (NASDER) and other forums. It has also developed informal networks with other state governments to share information about human resource programs on an ad hoc basis.

The sharing of information among state governments has allowed the State to move forward with programs more quickly as perhaps best evidenced by the information sharing that has led to the development of competencies for much of the workforce. These efforts have enabled the State to begin to create a competency-based human resources system at far less cost and much more quickly than had it proceeded independently. The Task Team encourages continuation and expansion of these information-sharing efforts.

Performance Management

The performance appraisal system used throughout State Government was originally designed almost 25 years ago as an outgrowth of research and development of valid, criterion related,

legally defensible selection techniques. Over the years it has had only slight modifications that enhance and update it, yet it still remains a solid and well-structured tool to help supervisors manage employee performance.

The performance appraisal system has specific forms for each job category and is designed to be tailored to each employee's specific job duties. The use of specific position responsibilities along with general categories tied to behaviorally anchored rating scales (BARS) is unique and presents a good check & balance approach. This system goes far beyond performance appraisal, it truly focuses on performance management -- unsatisfactory ratings lead to work improvement plans, inability to perform leads to training, unsatisfactory behavior leads to progressive discipline. As long as the procedures were followed, the system has repeatedly met the standards test of scrutiny when dealing with employee complaints filed with the State Employment Appeals Commission. Training on how to use the system is offered to supervisory and managerial staff, but is not required. Because the system covers so many different elements of performance management it is difficult to imagine that supervisors who have not been properly trained on the system are using it properly.

Agency contacts were asked basic questions: if and how they used the system, where the system performed well and where it did not, what inefficiencies they saw in it, and what suggestions they had to enhance or improve the system.

Virtually every agency uses the system, most on an annual basis, some also give appraisals to new employees at 3 and 6 months, as well as whenever work improvement plans are needed during the year. It is generally used as a communication and developmental tool which is sometimes paired with self-evaluations and 360 degree performance feedback.

Appraisals are supposed to occur annually, a well-established norm within general business and management practices, along with professional human resource knowledge. Compliance for use on an annual basis is reported by agencies as "pretty high". Even so, some employees are not appraised regularly largely because there is no systematic monitoring or incentive for managers to conduct them. This problem is more apparent in some agencies than others.

The State requires that to participate in its alternative work schedule program, employees must have current satisfactory performance reviews on file. One agency reports nearly 100% compliance with the performance appraisal system as a result of this policy. The Task Team is impressed by the implementation of good management practices, such as this, and encourages the State Personnel Department and state agencies to engage in a discussion about other opportunities to reinforce the importance of performance management. Some ideas that have arisen include requiring that an employee have a current and satisfactory performance appraisal prior to seeking tuition reimbursement, or promotional or transfer opportunities.

There is a natural tie between performance review and the competency-based job classification system. The competencies can be used to explain and support the performance ratings and identify training programs or other developmental tools to improve the employee's proficiency in a specific area. The feasibility and potential advantages of making this transition should be explored; however, in adding competencies to the performance appraisal, caution should be used to avoid too much detail. Simply replacing the "Areas of Responsibility" and "General Factors" on the current form with a list of competencies is not advised. Breaking down the job

into too many little parts falsely implies a precision of measurement, which simply is not actually present, nor is it practicable. Even though there may be 35 competencies listed for a job in the classification system, it is neither reasonable nor useful to request the supervisor to rate each of these. Research has shown that raters cannot accurately make such fine distinctions reliably and blurring of the difference between categories, overlap and redundancy set in quickly. Where personnel actions, i.e. pay increases, promotions, terminations, are tied to performance appraisals, the appraisals should be very job-related. While inferential leaps into too many minute competencies could be counter-productive, the use of those competencies as examples of how an employee performs at an excellent, satisfactory, or substandard level for a given job responsibility would be quite useful.

Even though the basic constructs underlying the system still remain sound, some updates and revisions are recommended, particularly if pay is to be tied to performance ratings. The forms appear somewhat old in style. This may cause it to seem less relevant to today's employees. Giving it a "face lift", will give it a fresh look and bring more attention to it. Similarly, conversion of the appraisal forms to an electronic format would allow for ease of expanding space for more comments by both the supervisor and employee, and could prompt the rater to include specific information about goals and objectives as well as creating work improvement plans for substandard areas. An electronic form could also give the rater easy access to the Behaviorally Anchored Rating Scales and other tools and instructions. Any necessary hard copies could still be printed as needed, although, along with facilitating completion, an electronic format would also facilitate form submission, data collection, data analysis, & storage. Use of electronic signatures could also be explored.

A section focusing on the future should be added, possibly in the form of a second page that has a "future goals/objectives" section. Within it the rater and employee can address specific work objectives, set dates for completion and designate improvement plans for substandard areas. It should be noted that the current form includes an additional page for notes and comments which certainly can be used for this purpose. However, the Task Team believes that specifically identifying an area for future goals and objectives would insure that more supervisors include this important element in documenting performance reviews.

Recommendations

The Personnel Task Team makes the following recommendations, many of which may be linked to each other and overlap to some extent:

Legislative

1. Elimination of the pre-employment process within the State Personnel Act, substituting the current Federal Standards for a Merit System of Personnel Administration (5 CFR 900.603)
2. Repeal of IC 4-15-1 establishing the State Personnel Advisory Board
3. Repeal of IC 4-15-2-1.5-8 Relationship of State Employees Appeals Commission to the State Personnel Board

4. Repeal of IC 4-15-2.5 Career Bipartisan Personnel System
5. Repeal of IC 4-15-3 Merit System for Registered Professional Engineers
6. Evaluate the funding of compensation systems and programs with the goal of attracting and retaining highly qualified employees in State government.
7. Develop a freestanding executive education program for leaders of State agencies. Consideration should be given to housing the program within the School of Public and Environmental Affairs at Indiana University, to promote a continuity of curriculum and knowledge transfer. Funding for executive education should be structured such that participation is not subject to the availability of funds within a given agency.
8. Establish a “stand-by” program for State employees to fill empty class seats in State universities at no cost or at a reduced tuition.
9. Review impact and outcomes of legislated insurance mandates.

Workforce Planning, Recruitment and Selection

1. Education of senior management on the importance of succession planning in the long-term accomplishment of agency goals. Provide agencies with succession planning tools and make succession planning a part of the performance requirements for all senior managers.
2. Identify occupations and agencies that have the highest percentage of their workforce eligible for retirement. Develop “mentoring” programs within critical areas to facilitate knowledge transfer from retirees to their coworkers.
3. Develop a coordinated, centralized State recruitment branding campaign which promotes a positive image of employment with the State of Indiana and reaches out to a diverse population in order to enrich the quantity and quality of the candidate pool.
4. Use competencies as focus of recruiting and employee selection efforts and introduce appropriate tools to help measure candidate competencies.
5. Create a “phase out” program to allow retiring employees to work reduced schedules to facilitate knowledge transfer during their successor’s training period

Technology

1. Continue PeopleSoft training including an explanation of what functionalities users can reasonably expect from the system
2. Fully implement PeopleSoft® functionalities and eliminate redundant human resources information technologies.
3. Identify opportunities for paperless forms, recordkeeping and request processing

Human Resource Metrics and Process Analysis

1. Conduct multi-agency process analysis for the hiring process and various common compensation requests. Participants should include representatives of major State agencies, the State Personnel Department, the Budget Agency and technology staff. Quantify cycle times and direct costs associated with major activities in these process flows. Implement continuous improvement principles to monitor and improve centralized administrative procedures. Use results to identify opportunities for reduction in steps, processing times, simplification of forms, and delegation of authority and use of technology to ease information storage, sharing and analysis.
2. Develop human resources metrics to track and report hiring, retention, and turnover statistics. State-wide and agency specific improvement targets should be established annually...continue to develop a “continuous improvement” culture.
3. Educate agency management about the need for coordinated oversight to avoid litigation and major financial liabilities
4. Finalize joint tracking system for compensation requests, using the same numbering system from initiation within the agency to budget agency approval.

Compensation

1. Establish funding of the State's salary compensation package to close the gap to market levels, once the market value of the total rewards package is determined, so as to adequately attract and retain employees. This should follow a mandatory performance management evaluation of all employees to justify appropriate salary increases.
2. Complete identification of competencies for State occupations using data from HR Manager and from collaborative efforts with other states.
3. Transition from an internal equity-based compensation plan to market-based pay scales.
4. Complete study of the market value of the State's benefit programs. Communicate this information to employees and job candidates as part of a total compensation philosophy
5. Until market-based system can be fully implemented, continue ad hoc reviews of changing and high-demand occupations such as nursing.
6. Consider revision of the State's recruitment differential target from 90 to 95% of market (pending results of benefits valuation efforts).

7. Create market pricing policy or other method to communicate standards used by the Department in establishing recruitment differentials
8. Expand standards for above-minimum hiring
9. Adopt the Standard Occupational Classification System as a successor to the State's existing classification system.
10. Award pay increases based on achievement of performance goals and/or the development of new levels of proficiency in job-related competencies.
11. Identify benchmark jobs and conduct annual market comparisons to identify funding needs
12. Create a bonus reward program for significant work achievements, particularly those that are efficiency-driven
13. Continue efforts by the State Personnel Department to educate agencies on the reasons for its oversight as well as the processes, standards and priorities it uses to process requests

Performance Management

1. Require training in performance management for all supervisors and evaluate supervisors based, in part, on their effectiveness in applying that knowledge.
2. Consider requirement of current and satisfactory performance ratings prior to employee promotion, transfer, or participation in special programs.
3. Integrate competencies into performance management tools
4. Update appraisal forms preferably including an electronic format
5. Add a future goals and objectives section as part of performance appraisals

Benefits

1. Create incentives or cost-savings for employees and covered dependents to have annual check-ups and/or participate in other wellness and preventative care programs.
2. Provide incentives for the use of the mail order prescription system for maintenance drugs.
3. Adopt a closed formulary with the requirement that generic drugs be used where available
4. Revise the State's dental plan to include coverage for implants
5. Align family and medical leave policy with the disability program to require six months of continuous service for family and medical leave eligibility
6. Add a financial incentive to encourage employees to select the dental provider organization over the traditional dental plan.

Employee Education

1. Reconvene the State Training Council to ensure that a process exists to promote collaboration and efficiency in managing the state's training resources. The initial

session(s) should review progress implementing consultant's recommendations, review tuition reimbursement implementation, and establish operating guidelines for the Council.

2. Align State Personnel and agency training plans directly to job competencies.
3. Complete educational profiles in the PeopleSoft database and use data to analyze educational backgrounds by job classification and organization to frame strategic responses and support curriculum development.
4. Use educational profile data to identify opportunities for competency-based continuing education.
5. Implement a statewide tuition reimbursement program and fund; discontinue existing agency tuition reimbursement policies using earmarked funds to underwrite employee participation in the statewide tuition reimbursement program or to implement dedicated agency training programs

WITNES LIST

Task Team Witnesses

B. Keith Beesley, State Personnel Department
David Bryant, State Personnel Department
Michelle Fullerton, State Personnel Department
Jan Kovacs, Department of Correction
Jeffrey D. McGill, State Personnel Department
Kristi Noland, Department of Correction
D. Sue Roberson, State Personnel Department
Debra Webb, State Personnel Department

Focus Team Witnesses

T.J. Allen, Department of Correction
B. Keith Beesley, State Personnel Department
Steve Hall, Department of Correction
Brandye Hendrickson, Department of Environmental Management
Ruth Jones, Family and Social Services Administration
Jan Kovacs, Department of Correction
Erin Kremer, Department of Administration
Bill Kromann, Department of Correction
Cheryl Lutey, Evansville State Hospital
Jeffrey D. McGill, State Personnel Department
Kristi Noland, Department of Correction
Darrien Patterson, Department of Workforce Development
Jennifer Pitcher, Department of Health
Brenda Recobs, Department of Transportation
Dianne Renner, Logansport State Hospital

APPENDIX A

PERSONNEL TASK TEAM MEMBERS

John Beede: Director, Training & Development for ADESA, Inc., the largest vehicle remarketing company in North America. Formerly, Managing Partner for Leadership International, which he founded in 1996. Prior to this he was Manager-Leadership Development at GE Appliances on a global scale.

Cindy Cook: VP of Human Resources & Payroll for Finish Line, a nation-wide retailer of athletic footwear and apparel. Has 30 years of HR experience with retail, insurance, restaurant, state government and non-profit organizations.

Cassandra Faurote: Has over 16 years of Human Resource experience in financial, medical devices and insurance industries. Currently serves on the Compensation and Benefits Professionals of Indiana (CBPI) board.

Lisa Heindricks: Director of Human Resources and Risk Management for Kiwanis International, a not for profit international community service organization. Has over 20 years of HR leadership experience in insurance, telecommunications, healthcare and not for profit organizations.

Bob McKinney: President of HRBottomline, LLC, a Human Resource consulting practice in Indianapolis. Has 40 years of HR leadership experience with several Fortune 500 and smaller organizations which include Dun & Bradstreet, Whirlpool, RR Donnelley, Technical Publishing.

Keith Reissaus: VP of Employee & Organization Development for Goodwill Industries of Central Indiana, Inc. Has 22 years of prior human resource experience with major corporations that include Kraft General Foods, General Electric and RCA.

Jennifer Dworkin Vigran: Former Indiana State Personnel Director and VP of Human Resources for Support Net, Inc., with over 20 years experience in human resources within the public and private sectors. Currently serves on the Indiana Public Employee Relations Board and is active in several community service organizations.

